

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6554

BILL NUMBER: SB 142

DATE PREPARED: Nov 26, 2001

BILL AMENDED:

SUBJECT: Service Areas for Municipal Electricity Suppliers.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires a municipally owned electric utility that seeks to include annexed territory in its assigned service area to pay additional severance damages to incumbent electricity suppliers based on electricity sold to service accounts during the five-year period beginning one year before the effective date of the annexation ordinance. The bill requires the Utility Regulatory Commission (IURC) to determine and enforce payment of severance damages. The bill requires the IURC in most circumstances to approve an agreed upon change in the boundaries of the assigned service areas.

Effective Date: July 1, 2002.

Explanation of State Expenditures: While the bill modifies the current procedures a municipal utility must follow when extending its service area into an annexed territory, it is not expected to have a significant impact on the number of Commission's proceedings or its administrative costs.

Background on IURC and OUCC Funding: The operating budgets of the IURC and the Office of the Utility Consumer Counselor (OUCC) are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2001, fees from the utilities and fines generated approximately \$8.6 M.

Explanation of State Revenues:

Explanation of Local Expenditures: *Municipally Owned Utilities:* This bill establishes additional severance damages that a municipal utility would be required to pay an incumbent utility in the event that a service area is expanded. The severance damages are based on any permanent accounts that the incumbent

utility established during a five-year period beginning one year prior to the area being annexed by the municipality. These additional severance damages are calculated by assessing a fee of \$0.001 for each kilowatt hour of electricity billed the newly established accounts each month over a five-year period, beginning on the date in which the account was established. (The per kilowatt hour assessment is limited to 170,000 kilowatt hours per month per customer). Municipal utilities would be required to pay these damages within 30 days after the year they are accrued. There are 79 municipally owned electric utilities in Indiana.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected: Municipally owned utilities.

Information Sources: Indiana Utility Regulatory Commission, *2000-2001 Annual Report*.